

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 PM-07 NSC-07 SP-03 SS-20 RSC-01

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01

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COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 NIC-01

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R 011017Z JUL 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 9803

INFO AMEMBASSY BONN

C O N F I D E N T I A L BELGRADE 3174

E.O. 11652: GDS

TAGS: PFOR, YO, GW

SUBJECT: TITO VISIT TO FRG

1. SUMMARY: FRG AMBASSADOR INFORMED EMB THAT CHAOTIC INTERNAL SITUATION IN ITALY AND ESCALATING PRICES ON WORLD MARKETS WERE AMONG MAJOR TITO PREOCCUPATIONS IN TALKS DURING LAST WEEK'S VISIT TO FRG. BILATERAL MATTERS DID NOT FIGURE PROMINENTLY IN TALKS, ALTHOUGH THERE WAS INCONCLUSIVE DISCUSSION OF GOY PROPOSAL THAT GASTARBEITER DEPOSITS BE CHANNELED BACK INTO YUGOSLAVIA FOR DEVELOPMENT. AMB THINKS TITO WAS VERY PLEASED WITH VISIT, AND GOY IS APPARENTLY EAGER TO TURN OVER A PAGE IN EVOLUTION ITS RELATIONSHIPS WITH GERMANY, WITH QUESTIONS LEFT OVER FROM WORLD WAR II CONSIDERED SETTLED. END SUMMARY

2. FRG AMBASSADOR JAENICKE, WHO TRAVELED WITH TITO GROUP DURING LATE JUNE 24-27 VISIT TO FEDERAL REPUBLIC AND TOOK PART IN PLENARY DISCUSSIONS, GAVE CHARGE SOME GENERAL IMPRESSIONS AND COMMENTS ON HIS RETQKN, AS FOLLOWS:

(1) PLENARY TALKS WITH TITO CENTERED ON INTERNATIONAL PROBLEMS

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BECAUSE THERE WERE FEW BILATERAL MATTERS TO DISCUSS. TITO SHOWED

CONCERN FOR ITALY'S INTERNAL STABILITY IN LIGHT OF WHAT HE SAW AS IMPENDING ECONOMIC CHAOS. HE ALSO SEEMED PREOCCUPIED WITH PROBLEM OF WORLD INFLATION AS A RESULT OF ESCALATING RAW MATERIAL PRICES. FRG WAS ABLE TO RESPOND FAIRLY SYMPATHETICALLY TO TITO'S URGING THAT NOW IS MOMENT WHEN DEVELOPED AND DEVELOPING COUNTRIES (BOTH THOSE BLESSED WITH VALUABLE RAW MATERIALS AND THOSE WITHOUT) MUST FIND FRESH NEW APPROACHES TO SOLUTION OF WORLD'S ECONOMIC PROBLEMS.

(2) ON BILATERALS, THERE WAS DISCUSSION AT FOREIGN MINISTER LEVEL OF YUGOSLAV PROPOSAL THAT BANK DEPOSITS IN FRG OF YUGOSLAV GASTARBEITER (ACCORDING TO JAENICKE, GERMANS ESTIMATE THESE AT DM 1.5 BILLION, YUGOSLAVS AT 4 BILLION) BE INVESTED IN INDUSTRIAL DEVELOPMENT OF THE AREAS IN YUGOSLAVIA FROM WHICH MOST OF THEM COME, EITHER DIRECTLY OR AS COLLATERAL. HOWEVER, FRG POSITION IS THAT LAW PREVENTS MAKING AVAILABLE INFO CONCERNING THESE DEPOSITS AND NO PROGRESS WAS MADE ON THE QUESTION. INSTEAD, GERMANS PROPOSED ESTABLISHMENT OF BRANCHES OF YUGOSLAV BANKS IN FRG TO SOP UP GASTARBEITER EARNINGS. QUESTION WILL BE DISCUSSED FURTHER IN MIXED COMMISSION.

(3) THERE WAS NO DISCUSSION OF DM 700 MILLION CREDIT BECAUSE IT IS WELL WRAPPED UP, INITIALED MAY 24 AND ONLY AWAITING SIGNATURE. IT WAS REFERRED TO IN VISIT COMMUNIQUE, HOWEVER, AS SETTling REMAINING QUESTIONS FROM THE PAST. GERMANS HOPE THIS WILL PRECLUDE ANY POSSIBLE LATER CLAIM FOR REPARATIONS.

(4) CONTINGENCY ARRANGEMENTS FOR TITO'S HEALTH AND SECURITY WERE IMPRESSIVE, WITH SIX YUGOSLAV AND TWO GERMAN DOCTORS ON HAND AT ALL TIMES AND HELICOPTER WITH PLASMA READY HOVERING OVERHEAD WHEN TITO WAS ENROUTE.

(5) TITO WAS IN FINE SHAPE, VIGOROUS PHYSICALLY AND ALERT MENTALLY (E.G. FREQUENTLY CORRECTING INTERPRETERS). HE SEEMED MOST ENTHUSED BY TREATMENT HE RECEIVED AND TALKS. GOOD ATMOSPHERE WAS HIGHTENED BY FAVORABLE PICTURE YUGOSLAV GASTARBEITER PAINTED, IN THEIR TALKS WITH TITO, OF CONDITIONS IN WHICH THEY WORK AND LIVE.

(6) AMBASSADOR BELIEVES GOY HAS FIRMLY SIGNED ITS DESIRE TO TURN TO NEW PAGE IN RELATIONS WITH FRG, WARMING UP TRADITIONAL ECONOMIC AND CULTURAL TIES. YUGOSLAV ATTITUDE HAS ITS POLITICAL MOTIVATIONS, HE FEELS, WITH REGIME ANXIOUS TO DEVELOP FRG LINK AS AN IMPORTANT CONFIDENTIAL

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ANCHOR FOR EAST-WEST BALANCE AND TO FURTHER DISCREDIT ALLEGATIONS OF A DRIFT TO EAST.
JOHNSON

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